

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-08
EA-10 FRB-03 INR-07 IO-13 NEA-10 NSAE-00 USIA-06
OPIC-03 SP-02 TRSE-00 LAB-04 SIL-01 AGRE-00
OMB-01 SS-15 /102 W
-----091823 231111Z /12

R 222301Z SEP 77
FM AMEMBASSY OTTAWA
TO SECSTATE WASHDC 4846
AMEMBASSY PARIS
INFO AMCONSUL MONTREAL
ALL OTHER CONGENS IN CANADA POUCH

C O N F I D E N T I A L OTTAWA 08568

USOECD

E.O. 11652: GDS
TAGS: EFIN, CA
SUBJECT: GOC DENIES PRESS REPORTS ON RESTRICTING TOURIST
SPENDING ABROAD

1. SUMMARY. PRESS REPORTED SEPT 22 CANADIAN AUTHORITIES
ARE STUDYING PLAN TO RESTRICT SPENDING ABROAD BY CANADIAN
TOURISTS TO CDOLS 600 PER YEAR. LATER THE SAME DAY
DEPARTMENT OF FINANCE ISSUED DENIAL GOC IS CONSIDERING
LIMITS ON SPENDING BY TOURISTS ABROAD. END SUMMARY.

2. STORY IN MONTREAL GAZETTE WITHOUT DATELINE REPORTED
THAT "SENIOR CIVIL SERVANTS," PRINCIPALLY IN THE
MINISTRY OF INDUSTRY, TRADE, AND COMMERCE AND DEPARTMENT
OF TRANSPORTATION, WERE STUDYING PLAN TO RESTRICT
SPENDING ABROAD BY CANADIAN TOURISTS TO CDOLS 600 PER
YEAR BECAUSE OF GROWING CURRENT ACCOUNT DEFICIT. ACCORD-
ING TO PRESS RESTRICTIONS WOULD NOT COVER SPENDING FOR
BUSINESS TRAVEL, NOR AIRLINE TICKETS AND MANY PRE-PAID
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TRAVEL ARRANGEMENTS PAID FOR IN ADVANCE IN CANADA. AN
UNIDENTIFIED OFFICIAL IN THE OFFICE OF JACK HORNER, THE
NEWLY APPOINTED MINISTER OF INDUSTRY, TRADE, AND COMMERCE
WAS QUOTED AS CONFIRMING THAT "WE ARE AWARE THAT SUCH
DISCUSSIONS ARE GOING ON."

3. MINISTRY OF FINANCE ISSUED STATEMENT LATER IN THE DAY

DENYING "CATEGORICALLY" THAT GOC "IS CONSIDERING IMPOSITION OF A LIMIT ON SPENDING ABROAD BY CANADIAN TOURISTS OR MORE GENERAL FORMS OF EXCHANGE CONTROL."

4. EARLIER, FINANCE DEPARTMENT AND ITC CONTACTS TOLD EMBOFF THEY KNEW OF "NO SERIOUS STUDY" (THEY BOTH USED SAME PHRASE) TO LIMIT FOREIGN TRAVEL BY CANADIANS. HOWEVER, FINANCE OFFICIAL COMMENTED THAT WHILE TRAVEL RESTRICTIONS WERE NOT UNDER ACTIVE CONSIDERATION AT THIS TIME, THE IDEA HAD BEEN DISCUSSED INFORMALLY. ITC OFFICIAL SAID THAT SUCH RESTRICTIONS ARE "ALWAYS AN OPTION ON A LIST." GERALD BOUEY, BANK OF CANADA GOVERNOR, TOLD EMBOFF THERE WAS NO TRUTH IN PRESS REPORT, ADDING THAT EVEN IF THERE WAS SUCH A STUDY IT NEVER SHOULD BE DISCUSSED IN PUBLIC.

5. COMMENT. THERE IS NO QUESTION THAT GOC IS CONCERNED ABOUT RAPIDLY GROWING DEFICIT ON TRAVEL ACCOUNT IN PARTICULAR AND OF THE CURRENT ACCOUNT IN GENERAL. TRAVEL DEFICIT FOR FIRST HALF WAS CDOLS 1.2 BILLION, UP ABOUT ONE THIRD FROM SAME PERIOD IN 1976. AS LARGEST PART OF TRAVEL DEFICIT TAKES PLACE IN THE FIRST QUARTER FOR WINTER VACATIONS AND THE THIRD QUARTER NORMALLY SHOWS A SMALL SURPLUS, TRAVEL DEFICIT FOR THE YEAR MAY BE IN THE RANGE OF CDOLS 1.5 BILLION, ABOUT ONE THIRD OF TOTAL CURRENT ACCOUNT DEFICIT.
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6. HOWEVER, FUNDAMENTAL CURRENT ACCOUNT PROBLEMS OF SLOWING INCREASE IN TRADE SURPLUS AND GROWING SERVICE DEFICIT CAN HARDLY BE LAID AT FEET OF TOURISTS. RESTRICTIONS MENTIONED IN PRESS WOULD BE HARD IF NOT IMPOSSIBLE TO ADMINISTER. MUCH OF SENSITIVITY ABOUT TRAVEL DEFICIT COMES FROM DOMESTIC HOTEL AND TRAVEL INDUSTRY WHICH HAS BEEN HIT BY OVER EXPANSION, SOARING LABOR COSTS, DOMESTIC AIR FARES SIGNIFICANTLY HIGHER THAN INTERNATIONAL TRAVEL, AND WHICH ALSO BELIEVES ITSELF TO HAVE BEEN BADLY HURT BY CHANGES IN U.S. LAWS IN REGARD TO TAX DEDUCTIONS FOR FOREIGN CONVENTIONS. ENDERS

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PRESS COMMENTS, ALLEGATIONS, TOURISTS, TRAVEL CONTROLS
Control Number: n/a
Copy: SINGLE
Sent Date: 22-Sep-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977OTTAWA08568
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770346-1044
Format: TEL
From: OTTAWA
Handling Restrictions: n/a
Image Path:
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Legacy Key: link1977/newtext/t19770933/aaaabbxa.tel
Line Count: 106
Litigation Code IDs:
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Litigation History:
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Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
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Review Event:
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Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1172687
Secure: OPEN
Status: NATIVE
Subject: GOC DENIES PRESS REPORTS ON RESTRICTING TOURIST SPENDING ABROAD
TAGS: EFIN, CA
To: STATE PARIS MULTIPLE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/1c0ceb3f-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009